

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 SS-15 IGA-02 RSR-01 RSC-01 /057 W
----- 054086

P 272315 Z APR 73

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC PRIORITY 9564

S E C R E T SECTION 1 OF 2 GUATEMALA 2004

E. O. 11652: XGDS 3

TAGS: PFOR, GT

SUBJECT: PRE- IG REVIEW OF CASP

REF: STATE 76020

1. FOLLOWING ARE CT COMMENTS ON QUESTIONS RAISED IN
REFTEL:

2. WITH REGARD PARA 2 B: CT IS IN COMPLETE AGREEMENT
WITH SUGGESTION THAT IT WORK TO HAVE FUTURE LEADERS
KEEP OPTIONS OPEN RE PROBLEM OF INADEQUATE REVENUES
AND IN FACT WE ARE ALREADY DOING THIS. GOVT. COALITION
VICE PRESIDENTIAL CANDIDATE MARIO SANDOVAL TOLD ME ON
APRIL 10 (MEMCON POUCHED) THAT HE AND GENERAL LAUGERUD
DID NOT INTEND PAINT THEMSELVES INTO CORNER AS ARANA
HAD BY PROMISING THERE WOULD BE NO TAX INCREASES. I
RAISED ISSUE WITH PRESIDENT ARANA ON APRIL 26 AND
HE EXPLICITLY STATED THAT TAX INCREASE IS NECESSARY BUT
CANNOT BE PUT INTO EFFECT UNTIL AFTER ELECTIONS. FOR
CASP WE SUGGEST:

E-4 PROMOTE CLIMATE WHICH WILL GIVE FUTURE GOVERNMENT
MAXIMUM FLEXIBILITY IN SEEKING WAYS TO DEVELOP LOCAL
RESOURCES TO FINANCE DEVELOPMENT.

4-1 . ENCOURAGE PRESIDENTIAL CONTENDERS AND OTHER POLITICAL
LEADERS NOT TO TAKE PUBLIC POSTURE AGAINST TAX INCREASES
DURING PRESIDENTIAL CAMPAIGN.

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4-2. ENCOURAGE LEADERS OF NEXT ADMINISTRATION TO BEGIN THINKING ABOUT BEST WAYS TO INCREASE TAXES AFTER ELECTION TAKES PLACE, AND EMPHASIZE THE NECESSITY TO GENERATE INCREASED REVENUES TO SUPPORT DEVELOPMENT PLAN.

3. WITH REGARD TO PARAGRAPH 3:

CT RECOGNIZES THAT FY 1975 LEVEL OF \$38 MILLION EXCEEDS PREVIOUS IG- ESTABLISHED PLANNING LEVEL BUT WE INCLUDED HIGHER AMOUNT FOR REASONS GIVEN IN CASP. WE CONSIDERED IT BEST TO HANDLE PRESENTATION THIS WAY FULLY RECOGNIZING THAT SOME LOANS COVER TWO OR MORE YEARS AND OTHERS MAY SUFFER SLIPPAGE AND HENCE COULD BE CONSIDERED AS A "SHELF- ITEM" OR CONTINGENCY PROJECT AS WAS DONE IN THE FY 1974 CONGRESSIONAL PRESENTATION.

WITH REGARD TO SUGGESTED OPTIONS, WE QUESTION VALIDITY OF SIMPLY REDUCING LEVEL OF ALL INDIVIDUAL LENDING ACTIVITIES. LEVELS ASSIGNED EACH PROJECT ARE HIGHLY TENTATIVE AT THIS EARLY STAGE, BUT THEY ARE BEST ESTIMATES AVAILABLE, AND TO FORCIBLY REDUCE THEM ALL TO FIT INTO SOME ARBITRARY LOWER TOTAL SIMPLY FICTIONALIZES EXERCISE. IT MIGHT BE NOTED, HOWEVER, THAT RECENT USAID PROGRAMMING FOR FY 1975 REDUCES BVE PROGRAM FROM \$12 TO \$5, A FIGURE WHICH IS STILL INDEFINITE PENDING FURTHER PROGRESS IN GRANT FUNDED BVE EXPERIMENTAL PROJECT, BUT WHICH APPEARS MORE REALISTIC AT THIS TIME.

WE OPPOSE OPTION TO ARBITRARILY DEFER CERTAIN ITEMS. TIME TO FUND SPECIFIC PROJECTS IS WHEN THEY ARE RIPE AND WHEN FUNDS ARE ACTUALLY NEEDED. THIS IS PARTICULARLY TRUE IN CASE OF FOLLOW- ON LOANS SUCH AS RURAL DEVELOPMENT II WHICH MAY NOT BE SUBJECT TO DEFERRAL WITHOUT SERIOUS BREAK IN PROGRAM CONTINUITY.

THIS LEADS US TO CONCLUDE THAT THIRD OPTION WOULD BE MOST SATISFACTORY, SUBJECT TO CERTAIN MODIFICATIONS. CT AGREES THAT \$38 MILLION LENDING LEVEL REPRESENTS REASONABLE PLANNING FIGURE FOR FY 1975 AND FY 1976 COMBINED.

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HOWEVER IT DOES NOT ACCEPT CONCEPT THAT LOAN PORTFOLIO LISTED FOR FY 1975 SIMPLY BE STRETCHED TO COVER BOTH YEARS. IN ACTUAL PRACTICE, THE FY 1975 LOANS WHICH ULTIMATELY MATERIALIZE ARE GOING TO COME FROM FY 1975 LISTING, FROM SPILL- OVER FROM FY 1974, AND POSSIBLY FROM NEW PROJECTS NOT YET DEVELOPED. FY 1976 ACTUAL LOANS WILL INEVITABLY BE A REFLECTION OF WHAT FINALLY HAPPENED IN FY 1974 AND FY 1975 AND OF WHAT ADDITIONAL PROJECTS MAY EVOLVE OVER NEXT 12 TO 18 MONTHS.

IN A PRACTICAL SENSE, WE SUGGEST THAT IG PROCEED ON BASIS THAT FY 1975 PROGRAM WILL BE DRAWN PRIMARILY FROM FY 1975 LISTING, AND THAT FY 1976 PORTFOLIO WILL BE PREPARED SUBSEQUENTLY AS A RESULT OF FURTHER PLANNING AND PROGRAM DEVELOPMENT.

WITH SPECIFIC REFERENCE TO RURAL DEVELOPMENT II, WE FORESEE THAT UNLESS SUCH MAJOR LOANS ARE AVERAGED OUT OVER A PERIOD OF THREE OR FOUR YEARS, FOR PLANNING LEVEL PURPOSES, COUNTRIES WITH LIMITED AID LEVELS, SUCH AS GUATEMALA, WILL HAVE CONSIDERABLE DIFFICULTY IN FOLLOWING CONCEPTS OF SECTOR LENDING, WHICH ALMOST INVARIABLY INVOLVES A SUBSTANTIAL COMMITMENT OF FUNDS AT ONE TIME FOR A COMPREHENSIVE PROGRAM. IN THIS CASE, HOWEVER, CURRENT USAID THINKING IS TENDING TOWARDS A CONCEPT OF TRANCHING AND OBLIGATING RURAL DEVELOPMENT II OVER A PERIOD OF SEVERAL YEARS, OR OF PROJECTIZING THIS PROGRAM INTO SEVERAL COMPONENTS AND OBLIGATING EACH COMPONENT ON A CASE-BY-CASE BASIS AS FAR AS TIMING GOES. THIS APPROACH IS CONSISTENT WITH, BUT GOES SOMEWHAT BEYOND TWO-YEAR CONCEPT PROPOSED IN PARAGRAPH 3 C.

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ACTION ARA-17

INFO OCT-01 ADP-00 AID-20 SS-15 IGA-02 RSR-01 RSC-01 /057 W
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P 272315 Z APR 73
FM AMEMBASSY GUATEMALA
TO SECSTATE WASHDC PRIORITY 9565

S E C R E T SECTION 2 OF 2 GUATEMALA 2004

4. WITH REGARD TO PARAGRAPH 5:
U. S. NATIONAL DEFENSE: COUNTRY TEAM CONCURS WITH LOWERING THIS INTEREST FROM HIGH TO MEDIUM. IN OUR INITIAL DISCUSSIONS WE GAVE SERIOUS CONSIDERATION TO ASSIGNING MEDIUM LEVEL OF INTEREST. WE OPTED FOR HIGH RATE NOT BECAUSE WE THOUGHT THERE WAS ANY DANGER THAT GOG COULD NOT CONTROL THE INSURGENCY THREAT, BUT RATHER TO EMPHASIZE OUR CONCERN OVER THE POSSIBILITY THAT THE GOG MAY SIGNIFICANTLY INCREASE USE OF ILLEGAL AND REPRESENTATIVE METHODS TO MAINTAIN CONTROL.

5. WITH REGARD TO PARAGRAPH 6:

WE AGREE THAT GUATEMALA IS WILLING TO ACCEPT STATUS QUO IN BELIZE DISPUTE. HOWEVER, WISH TO NOTE AGAIN THAT GOG IS LIKELY TO TAKE DIRECT ACTION, QUITE POSSIBLY INCLUDING MILITARY ACTION, SHOULD BELIZE MOVE TOWARD INDEPENDENCE WITHOUT REACHING AN ACCOMMODATION WITH GUATEMALA. WHILE HMG APPEARS TO BE WILLING TO CONTINUE STATUS QUO AS LONG AS BH PREMIER PRICE DOES NOT ROCK THE BOAT, WE DO NOT KNOW WHAT PRICE'S INTENTIONS ARE OR WHAT PRESSURES MAY BE PUT ON HOM. IF HE IS WILLING ACCEPT STATUS QUO, SO WILL GOG. IF NOT, THERE WILL LIKELY BE SERIOUS TROUBLE.

6. WITH REGARD TO PARAGRAPH 7:

STATEMENT OF GOAL AND COURSES OF ACTION "A" ARE AS FOLLOWS:

A. INCREASE U. S. SHARE OF GUATEMALAN MARKET EXCLUDING CA.

A-1 CAPITALIZE UPON NEWLY COMPETITIVE U. S. POSITION

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THROUGH INCREASED TRADE PROMOTIONAL EFFORTS.

1-1 PERFORM BRIEF MARKET STUDIES OF MAJOR POTENTIAL GROWTH AREAS IN INDUSTRY, AGRICULTURE AND COMMERCE.

1-2 CONTINUE INVESTIGATION AND REPORTING OF MAJOR GOG INFRASTRUCTURE PROJECTS, BEGINNING IN THE EARLY PLANNING STAGES.

1-3 SUPPORT TRADE MISSIONS, TECHNICAL SEMINARS AND OTHER ORGANIZED PROMOTIONAL EVENTS AS AUTHORIZED BY COMMERCE.

1-4 MAINTAIN A STRUCTURAL PROGRAM OF COMMERCIAL VISITS ORGANIZED BY INDUSTRY GROUPINGS TO PROMOTE U. S. PRODUCTS AND EMBASSY COMMERCIAL SERVICES.

1-5 PROVIDE ON A REGULAR BASIS CURRENT ECONOMIC INFORMATION FOR THE BENEFIT OF VISITING BUSINESSMEN AS WELL AS LOCALLY-ESTABLISHED U. S. FIRMS.

1-6 PUBLISH A COMMERCIAL BULLETIN FOR THE LOCAL BUSINESS COMMUNITY ON A REGULAR AND FREQUENT BASIS.

1-7 MAINTAIN CLOSE CONTACT WITH LOCALLY ESTABLISHED U. S. FIRMS THROUGH REGULAR INFORMAL GROUP MEETINGS AND STEADY SUPPORT FOR THE LOCAL AMERICAN CHAMBER OF COMMERCE.

1-8 ENCOURAGE IMPORTERS AND INDUSTRIALISTS TO VISIT THE U. S. TRADE CENTER IN MEXICO.

WE AGREE THAT CASP SHOULD INCLUDE COURSE OF ACTION ON OPIC,

BUT WE ARE NOT SANGUINE THAT THE NEW ADMINISTRATION WILL BE ANY MORE COOPERATIVE THAN THE PRESENT ONE. ATTITUDE WIDESPREAD HERE THAT INVESTMENT GUARANTEES PUTS FOREIGN INVESTOR IN PRIVILEGED POSITION VIS- A- VIS LOCAL INVESTORS. SUGGEST FOLLOWING LANGUAGE:

C. IMPROVE THE ATTRACTIVENESS OF GUATEMALA AS A SITE FOR U. S. INVESTMENT.

C-1 MAKE A RENEWED EFFORT WITH THE INCOMING GOVERNMENT

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ADMINISTRATION TO EXPLAIN THE BENEFITS OF THE OPIC PROGRAM AND SEEK GREATER COOPERATION FROM THE GOG IN AUTHORIZING INVESTMENT INSURANCE FOR COMPANIES ENTERING GUATEMALA.

7. WITH REGARD PARAGRAPH 8:

CT CONCURS IN GENERAL WITH APPROACH PROPOSED IN THIS PARAGRAPH. PEACE CORPS PROGRAMS CAN INDEED BE ATTRIBUTED TO OUR INTEREST IN SOCIAL AND ECONOMIC DEVELOPMENT AND IN FAVORABLE DISPOSITION GUATEMALANS TOWARDS THE U. S. AGREE THAT PL-480 IS MAINLY ATTRIBUTABLE TO HUMANITARIAN ASSISTANCE, HOWEVER THERE IS PORTION OF THIS PROGRAM DIRECTLY RELATED TO AND SUPPORTIVE OF ECONOMIC AND SOCIAL DEVELOPMENT GOALS. ABOUT 14 PERCENT OF PL-480 PROGRAM IN 1975 WILL GO FOR ECONOMIC AND SOCIAL DEVELOPMENT (PRIMARILY FOOD FOR WORK) AND THE REMAINDER FOR HUMANITARIAN ASSISTANCE.

8. (NOT DIRECTLY RELATED TO REFTEL.) UNDER U. S. NATIONAL DEFENSE, FY-75 MAP- M AND MAP- T FIGURES UNDER COURSE OF ACTION A-1, 1-1, WERE PLANNING FIGURES. ACTUAL PROPOSED PROGRAM FIGURES ARE MAP- M, 815 AND MAP- T, 400, AND CASP FY 75 FIGURES SHOULD BE REVISED TO REFLECT THIS. ADDITIONALLY, IN TABLE 2, MILGP DIRECT HIRE STRENGTH FOR FY 75 SHOULD BE 19. BOWDLER

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